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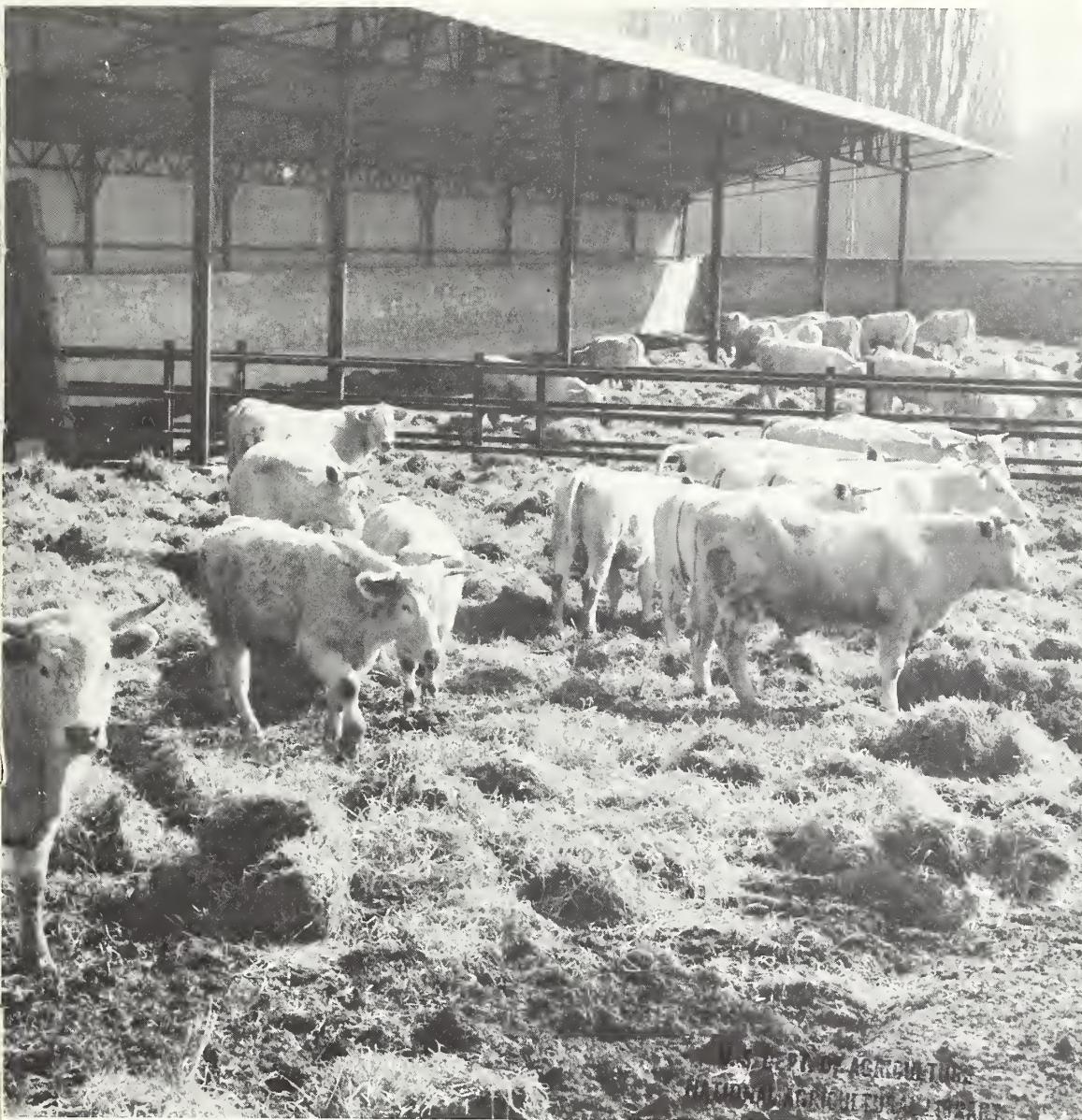
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FOREIGN AGRICULTURE



September 8, 1969

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French Devaluation and the EC's Agricultural Policy

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This week's cover:

Charolais cattle in feedlot at La Chapelle en Serval, Oise Department, France. Article beginning at right covers consequences of the French devaluation and the subsequent decision by the EC Council of Ministers to insulate the French farm market from the other five EC members. (Photo from French Ministry of Agriculture.)

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French Devaluation

By JAMES B. SWAIN

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The Council of Ministers of the European Community (EC), in an emergency session August 10-11, agreed, in effect, to suspend the application of the Common Agricultural Policy (CAP) to France as a result of the unilateral French decision of August 8 to devalue the franc by 11.11 percent. The Ministers accepted, with modifications, a proposal by the EC Commission to insulate temporarily the French agricultural market from the other five member countries so as to prevent a rise in French agricultural prices and a distortion in trade within the common agricultural market.

This breach in the common agricultural price arrangements among the Community's six member countries is a major setback to the CAP, already under heavy pressure from soaring surpluses and support costs (some \$2 billion in 1968). The Ministers' decision to grant France up to 2 years to adjust agricultural prices in conformity with the devalued franc has broken the unity of the CAP, a unity based on uniform marketing and uniform pricing arrangements throughout the EC. The CAP will now operate as it did between 1962 and 1967 when differences in national prices necessitated Community measures to prevent trade distortions among member countries. The significance of this decision is two-fold: First, a precedent has been established for a temporary across-the-board waiver from the rules and obligations of the CAP and, second, the future progress of the CAP has been inextricably linked to the progress of economic and monetary policies.

The compromise on agriculture, therefore, may have an important bearing on any agreement among the Six on a number of important political decisions facing the EC: Enlargement of the Community to include the United Kingdom, Denmark, Norway, and Ireland; future financing of the CAP; reform of agriculture (Mansholt Plan); common trade policy; and, not least, coordination of economic policies and monetary cooperation. These decisions will shape the future progress of political and economic integration in European agriculture.

Parity changes and common agricultural prices

Under the CAP, most farm prices (as well as all EC financial transactions) are not pegged to national currencies but to a unit of account, equivalent to one U.S. dollar. Thus, a parity change in one or more national currencies automatically changes support prices, affecting incentives to produce, farm output, farm income, consumer prices, competitiveness of exports, and the impact of the financial arrangements among

The Council of Ministers has decided to temporarily insulate the French agricultural market, thus abandoning the Community's uniform price system and delaying economic integration; questions remain about the devaluation's impact on U.S. trade.

Upsets the EC's Agricultural Pricing Policy

member countries. At present, the EC does not have detailed policies to counteract all such effects on the CAP. Under existing regulations, the EC can either alter the gold content of the unit of account or change agricultural price levels. Either alternative presents an equally high political and economic cost to those member countries whose parities remained unchanged.

In strict accordance with CAP regulations, therefore, the unilateral 11.11 percent devaluation of the French franc would have caused the common support prices in France to remain unchanged in terms of dollars but to increase by 12.5 percent in terms of francs. This would have increased the incentive for French farmers to add to current surpluses (wheat, butter, and sugar) and would have had an inflationary impact on the cost of living in France, thus undermining the benefits from devaluation for French exports. Alternatively, devaluing the unit of account (or lowering common farm prices) would have meant that farmers in the other member countries would have had their prices and incomes lowered.

To avoid either of the above situations, the Council of Ministers decided to accept, with some modification, the EC Commission's proposal to insulate the French agricultural market for up to 2 years. This means that the uniform price system of the EC is to be abandoned temporarily.

France is permitted, at least until the end of the current 1969-70 crop year, to maintain prices (in terms of francs) at predevaluation levels. This, in effect, means reduction of internal prices in terms of foreign currencies. Arrangements for the 1970-71 season (i.e., whether the reductions should be extended or modified) are left to a future Council decision; however, the final realignment is to be determined by unanimous Council decision on a product-by-product basis before the end of the 1969-70 season. Prices are to be aligned completely with those of the other five member countries by the beginning of the 1971-72 season.

France received not only the right to keep prices of all CAP products at predevaluation levels but also the right to determine any upward adjustment of prices on a selective basis for the remainder of the 1969-70 crop year (which varies among products). Slight increases in the prices of milk (about 2 percent) and beef (about 4 percent) have already been announced. The Commission has until November 30, 1969, to prepare and submit a report to the Council on the implementation of the French measures and to make proposals for alternative solutions as necessary. The Council, however, must now consult the European Parliament before making any further decision on a more definite solution for the transition.

In order to prevent a distortion of trade within the common

agricultural market as a result of the breach in uniform price levels, it was decided that the French should levy a tax on exports and grant subsidies on imports of agricultural products covered by the CAP so as to maintain the external parity of the unit of account. These measures are to apply to member and nonmember countries alike. The levels of these taxes and subsidies have yet to be determined. France is to operate the system and will pay any surplus into Community funds.

Why devaluation?

Devaluation was aimed above all at restoring confidence in the franc and redressing the imbalance in France's international payments position. Its success depends ultimately upon the strength and/or weakness of the franc relative to other currencies and on the net effects on France's trade balance. Both, in turn, depend upon the ability of the French Government to hold down wages and prices and to maximize the switch of resources into export industries.

To insure that possible benefits of devaluation will not be dissipated through a wage-price spiral, the French Government froze prices of all industrial products and service industries, import prices, and profit margins (including retail) until September 15; announced additional credit restraint measures; froze prices of all CAP products except those for milk and beef, which were raised slightly; and promised a new package of deflationary measures in September. The crucial problem will be to hold down wages in face of the forthcoming wage negotiations.

The possibility of improving the current trade balance depends mainly on the effects of the relative changes between export prices (which initially fall 11.11 percent in terms of foreign currency) and import prices (which initially rise 12.5 percent in terms of francs). An improvement will occur only if the changes are of the right order of magnitude, i.e., if the net effect on the increased export volume and the decreased import volume is to offset the lower unit price of exports and the higher unit price of imports.

Effects on U.S.-French Trade

The direct trade effect of the franc devaluation on the pattern and volume of U.S.-French agricultural trade is difficult to predict. The net effect on import and export prices in the short term will depend upon the degree to which the French import subsidies and export taxes, respectively, mitigate the normal devaluation effects of higher import prices and lower export prices. It will also depend on the extent and length of the application of subsidies and taxes, and the degree to which prices already had discounted the franc prior to its devaluation.

In 1968 the United States exported agricultural products valued at \$144 million to France and imported about \$86 million worth from France (about 2 percent of total U.S. agricultural imports). The French share of the total U.S. export market was slightly over 2 percent; its share of the U.S. market in the EC, almost 11 percent.

U.S. AGRICULTURAL TRADE IN 1968

Item	World total	EC	French		
			share of total	France	share of total
			Mil. dol.	Mil. dol.	Per-cent
Exports ..	6,228.0	1,367.1	22.0	144.1	2.3 10.5
Imports ..	5,028.4	362.5	7.2	85.9	1.7 23.7
Balance ..	+1,199.6	+1,004.6	—	+58.2	— —

About two-thirds of U.S. agricultural exports to France and about 15 percent of U.S. imports from France are covered by the CAP and are eligible for import subsidies and export taxes, respectively. These measures should theoretically nullify the effect of the devaluation and therefore maintain prices at the predevaluation levels for the CAP items. (Major U.S. export items under CAP include soybean meal, corn, wheat, and variety meats. Chief French export items covered include Roquefort cheese, candied cherries, and casein.) For the remaining non-CAP items for which these special border measures do not apply, import prices will rise and export prices fall. About one-third of U.S. agricultural exports to France will now become more expensive. These include cotton, unmanufactured tobacco, essential oils, and hides and skins. On the other hand, some 85 percent of French agricultural exports to the United States should be cheaper. These include wines, champagne, and essential oils.

Other factors

But even if import/export prices rise/fall to the full amount of devaluation, the extent to which they are reflected in wholesale and retail prices depends upon the import content (import cost as a percent of final price), the price sensitivity of the product, and wholesale and retail profit margins. On balance, a good proportion of French export trade consists of products which are not particularly price sensitive, that is, products that have relatively low price elasticities (wine, champagne, vermouth, essential oils, Roquefort cheese) whereas a good proportion of the U.S. products sent to France are relatively more price sensitive.

Possible effects on U.S. trade may also stem from France's right to adjust prices upward selectively on CAP items during the current marketing season. Potentially, such measures could be taken on a number of U.S. export items falling under CAP, such as soybean meal, wheat, and corn. Should such selective action be taken for example on soybean meal, this might discourage the importation of this item and encourage consumption of competing feeds such as feed wheat if prices for this product remain unaltered.

The actual trade effects of devaluation are, of course, unpredictable. A new inflationary push could quickly nullify the competitive advantage gained by devaluation. Apart from the reservations noted earlier, there are still many unanswered questions: How are the export taxes and import subsidies to be administered in practice? Will export taxes fully offset the increased competitiveness of French exports? Will import

subsidies allow imports to compete freely with French products? To what extent will France use its right to adjust prices selectively on CAP products? How will these measures be influenced by future Council decisions? Will all these measures offset the non-CAP components of French export prices?

Another important implication for U.S. trade stems from the subsequent devaluation of the franc by the 14 African franc zone countries. Their agricultural exports are sold at world price (which remains the same in terms of dollars), so that devaluation increases the price of their exports by 12.5 percent in terms of francs. This should increase the competitiveness of their exports of such products as oilseeds, vegetable oils, sugar, and cocoa vis-à-vis other African and Latin American countries and perhaps increase substitution of these products for certain U.S. products in the EC. These countries already benefit from preferential entry into the EC for most dutiable products.

Implications for integration

The French devaluation may have undermined the most notable achievement of European economic integration to date—the CAP—and will almost certainly force changes in the pattern of political and economic integration in Europe. As pointed out earlier, there might now be a greater disposition among all member countries to accept changes in the CAP and to coordinate progress on the CAP with progress on enlargement, completion, and strengthening of the EC.

The temporary, and as yet incomplete, solution can only exercise a restraining influence on any major decision facing the CAP and might necessitate an extension of the EC transitional period beyond December 31, 1969. Even before the devaluation, much remained to be done to complete the economic union by the end of the year. Until the final outcome of the devaluation on French and EC agricultural price policies becomes known, it is unlikely that the Six would agree on any final arrangements on financing.

The continued impasse over milk and beef prices for this season, the stopgap measures to ease the dairy surpluses, and the prices for next season (1970-71) have already delayed discussion of CAP financing. Other urgent decisions relate to tobacco, wine, fruits and vegetables, lamb, horsemeat, and the other products that are to be brought under the CAP before the transition period ends.

Devaluation ultimately will result in higher prices for French farmers. This will compound the problems in the Community's agriculture. As a result, pressures might develop and induce member countries to propose changes in the CAP that could eventually lead to more rational policies. This could mean renewed consideration of the Mansholt Plan, with its ultimate objective of shifting the emphasis of policy from price supports to improvements in resource productivity; the EC Commission's firmer and more realistic price policy proposals, particularly its suggestions for reducing the butter price; and use of British entry to ease internal problems and delay making decisions on much-needed adjustments in the CAP.

It is still too early to assess the full impact of the franc devaluation both on U.S. trade and on the CAP. However, it is certain that the devaluation and the subsequent EC Council decisions have, at least temporarily split the single farm market; suspended the common pricing policy; and enabled France to pursue, within certain limits, an independent farm policy.

U.S. Durum Wheat Exports on the Upswing

By JOSEPH HALOW
Acting Executive Vice President
Great Plains Wheat, Inc.

Exports of durum wheat from the United States, which traditionally have moved in unpredictable highs and lows, are up to 1.3 million metric tons for the 1968-69 marketing year. Ten years ago only 1,000 tons were exported, and in the years between shipping levels have vacillated widely. This most recent export leap of U.S. durum has had three motivating forces—farm production beyond domestic need, greater demand for durum in European countries to make high-grade pasta products (spaghetti, macaroni, noodles), and improved varieties of durum grown in the United States that better suit the needs of foreign millers and pasta makers.

An uneven history

Durum was first grown in commercial quantity in the United States in the early 1900's from seeds of varieties imported from the Mediterranean area and south Russia. Most of the early varieties were red durum. For awhile acreage increased rapidly and the United States even became a durum exporter. But the varieties of durum then grown had a serious defect—susceptibility to black stem rust disease.

Some years farmers had excellent durum yields; others they lost nearly their entire crops to rust damage. When the Depression of the 1930's hit, most farmers decided on less risky

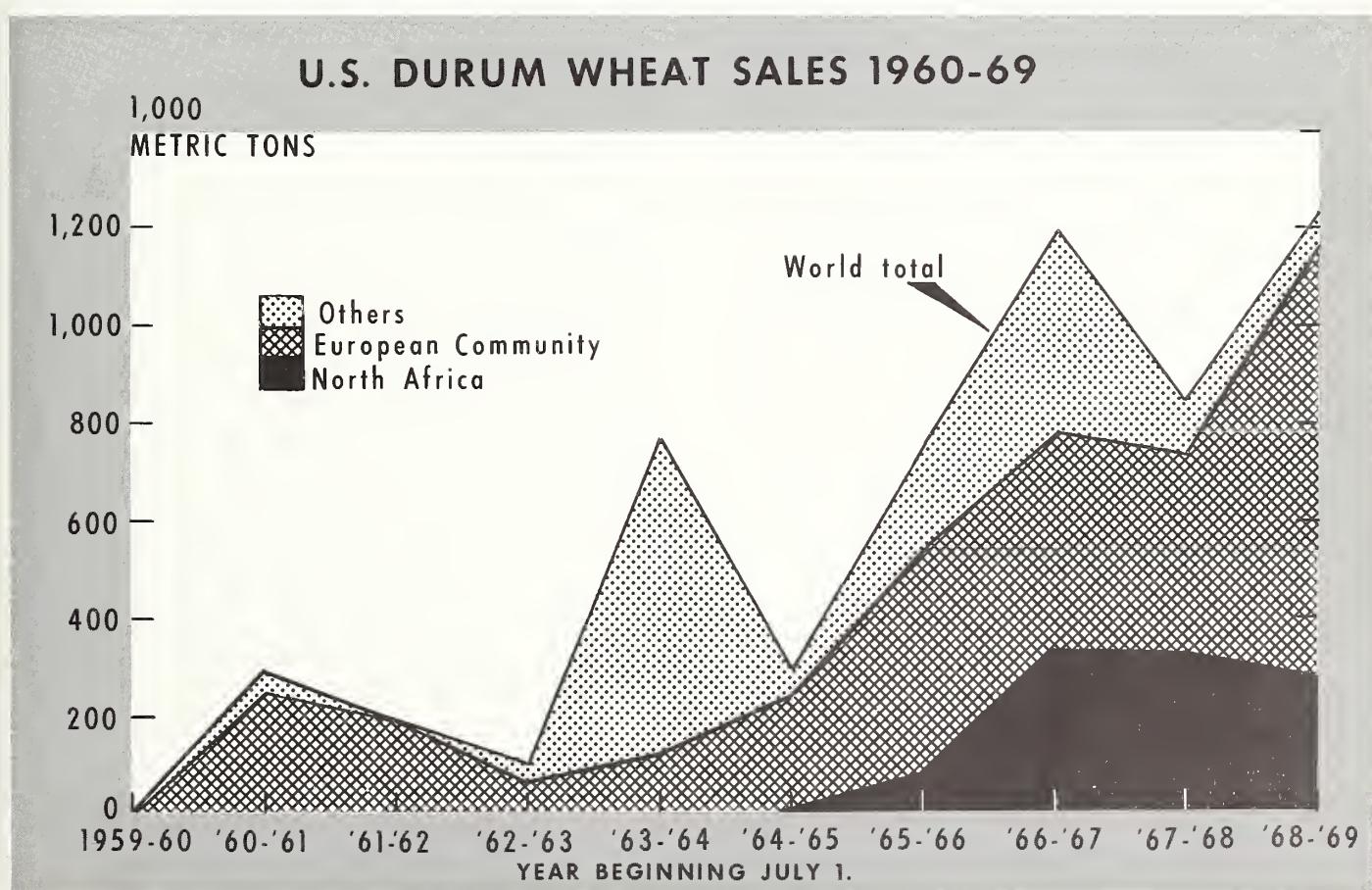
investments of their land and time. Durum production in the United States fell from 2.6 million metric tons in 1928 to 190,000 metric tons in 1934. Drought and rust losses helped.

For the next 25 years average U.S. durum production was more or less equal to domestic demand—although fluctuations from years to year were often extreme because of drought, rust, and variable prices. But during the 1950's, though the changes were not immediately reflected by increased exports, U.S. durum underwent a revolution. New disease-resistant strains were developed that also had a very desirable color and cooking qualities for pasta products.

The new varieties were amber durums, and the first two extensively planted by farmers were called Langdon and Ramsey. Next, two even better early maturing varieties, Wells and Lakota, were released to farmers in 1960. U.S. production promptly accelerated, and for the first time since the 1920's the United States had a dependable supply of durum wheat for export.

In 1966 another variety, Leeds, became available to durum growers. Leeds has excellent color and produces pasta products of fine quality, is also rust resistant, and has larger kernels than Wells and Lakota. The last modification is an important selling point to overseas millers, who have felt that the former U.S. varieties had kernels too small for milling efficiency.

Durum is a distinct species of wheat quite different from ordinary wheat used to make bread and other bakery products.



Durum is used almost exclusively to make pasta products. Its hard, flinty kernels are specially ground and refined to obtain semolina, which is mixed with water to produce macaroni products. Durum semolina, when properly handled, can be made into pasta products that when cooked are slippery, springy, and chewy—not sticky, soggy, or limp. Other wheats can be used in making pasta products, but all-durum pastas have the highest quality.

At present most durum wheats are grown in Mediterranean countries, North America, the Soviet Union, and Argentina. Until a few years ago, only Canada and Argentina were important exporters. Now the United States is becoming a competitor. Durum sales, however, are a small part of total world wheat trade (in 1968 they were 3 to 4 percent) and are unlikely to be much larger in the near future.

In the United States durum production is centered in North Dakota, and that State traditionally grows between 80 and 90 percent of each year's durum crop. Other producing States are South Dakota, Minnesota, Montana, and California.

The chief terminal market for durum within the United States is Minneapolis, Minnesota. Of the durum destined for foreign markets, more than half is shipped from Great Lakes ports (especially Duluth-Superior) and exits through the St. Lawrence Seaway. Other exported durum leaves from Gulf and Pacific ports. Special rail freight rates from the northern Great Plains to the Pacific Coast on wheat for export have helped make U.S. durum competitive in the Far East with Canadian and Argentine offerings.

An expanding but fluctuating market

Although U.S. durum sales have grown remarkably over the last 10 years, their growth has been uneven. Sales have been affected by availability for export, prices, foreign demand, and quality of U.S. durum on the market.

From 1960 to 1963 U.S. total foreign sales and sales to Common Market countries were nearly identical (see chart). The unusually large exports in 1964 were due to a large sale to the Soviet Union during one of its wheat-short years. By 1966 North African countries were important U.S. durum customers and affected export trends. But Common Market countries have continued to be the chief buyers of U.S. durum.

One of the forces behind increased durum exports—greater production within the United States—has already been partially explained in the discussion of improved U.S. durum varieties. Another impetus to U.S. production has been the premium paid for durum over hard red spring wheat, its chief competitor for acreage, because of durum's specialty status and increasing demand.

A big boost to U.S. durum exports has been the trend in EC countries to use only durum wheat for making pasta products. For example, Italy put a law into effect on January 1, 1968, that all pasta products should be made of 100-percent durum after that date. Although Italy grows durum wheat itself, it does not grow enough to completely supply its pasta manufacturers. Some of the difference is being made up of U.S. durum. Italian imports of U.S. durum jumped from 88,000 metric tons in 1967-68 to 358,000 metric tons for the first 9 months of the 1968-69 marketing year.

Several other EC countries are already using only durum wheats to make pasta without any formal requirement. In the same countries use of U.S. durum is increasing because of the improved cooking quality and color it gives to pasta

products. The new variety, Leeds, which will be on foreign markets in quantity for the first time in the fall of 1969, should shove up U.S. sales even further because of its excellent milling characteristics.

An aggressive sales program

Even with the advantages of improved product and supply and more room on foreign markets, the rapid climb of U.S. durum exports did not just happen. In large measure it has been due to the intensive and well-planned market development efforts by two cooperators of the USDA's Foreign Agricultural Service—Great Plains Wheat, Inc., and Western Wheat Associates, U.S.A., Inc.

Great Plains Wheat has had primary responsibility for sales acceleration in Europe, North Africa, and Latin America. Western Wheat Associates has cultivated sales possibilities in the Far East—especially Japan. Both have worked hard at keeping pasta manufacturers and consumers informed of the advantages of using U.S. durum. Partly because of effective salesmanship, the prospects for increased U.S. durum exports are excellent.

Soybean Oil Sales in France

The French firm Indusoja, which is affiliated with Cargill in the United States and bottles oil from U.S. soybeans, has been selling soybean oil identified as such in France for the past several months. Until quite recently, sales were to wholesalers for use in preparing salad dressing and mayonnaise. These in turn went to *charcuteries*, the French specialty food stores which sell sausages, cold meats, prepared salads, and various other ready-to-eat foods.

Within the past few weeks, however, Indusoja has made an important breakthrough in direct consumer sales of identified soybean oil in liter bottles through the large retail chain Prisunic. Prisunic's 360 stores in France sell a wide variety of items, including clothing, kitchenware, and recreational items. Most stores also have large supermarket units.

Identified soybean oil is being made available in colored plastic bottles at a price of 2.25 francs—midway between the 2.75 francs per bottle for peanut oil and 1.75 francs for table oil. Table oil is a mixture of several oils including rape-seed oil and generally soybean oil as well.

By arrangement with Indusoja, the Prisunic chain is publicizing the oil as a new product through loud speaker systems in the stores. Expectations are that sales of the oil may reach 500 tons this year, a considerable increase over sales in previous years.

The oil for consumer marketing—as well as in bulk for table oil—comes from the Cargill crushing plant in the Netherlands (see *Foreign Agriculture* July 29, 1968). The oil is purchased and distributed through the central buying group SAPAC, which handles distribution to retail outlets. After sufficient time has elapsed to determine consumer acceptability and demand for the identified soybean oil, a decision will be made on the future direction of sales efforts.

A similar program may soon get underway for sunflower oil, produced and promoted by French firms and priced to compete with peanut oil. Corn and olive oils are now available on the French market but at still higher prices.

—Based on dispatch from THOMAS E. STREET
U.S. Agricultural Attaché, Paris

Agriculture of the Dominican Republic

Like most other countries of Latin America, the Dominican Republic is basically an agricultural nation. Agriculture accounts for about one-fourth of the gross domestic product, employs over half of the labor force, and furnishes about nine-tenths of the value of all merchandise exports from the Caribbean nation.

However, the performance of the agricultural sector in recent years has not been as satisfactory as other parts of the economy. There was an upward trend in agricultural production from the late 1950's through 1964, but this rate of increase did not keep pace with annual population growth and in 1966 the per capita level of production was less than 80 percent of its 10-year earlier level. Since 1964, gross agricultural production has declined. A severe drought in late 1967 and early 1968 seriously retarded the production of sugarcane and while the output of some basic foodstuffs did increase during 1968 over their 1967 levels, the per capita index of production dropped to an alarming 71 percent of its 1957-59 level.

The Dominican economy is faced with a number of problems. The two most serious are a high rate of unemployment—about 20 percent—and the continuing imbalance of trade. The fall-off in agricultural production in recent years has had a significant effect on the Republic's trade pattern. Although the value of farm exports is still about four times greater than that of farm imports, in 1968 the value of agricultural imports was nearly five times greater than the 10-year earlier level while the value of exports has not shown a significant increase.

Total exports in 1968 were valued at \$163 million, up nearly 4 percent from the \$157 million exported in 1967. Agricultural shipments in 1968 had a value of \$145 million compared with \$141 million the previous year. The leading agricultural exports are sugar (and its byproducts), coffee, cocoa, tobacco, and beef. The United States is by far the most important market for Dominican agricultural exports, taking between 85 and 90 percent of these exports annually in recent years.

On the import side, total value of goods entering the Dominican Republic increased from \$175 million in 1967 to about \$195 million, a jump of 11 percent. Imports of agricultural items rose by an equal percentage from \$34 million in 1967 to \$37 million in 1968. The leading agricultural imports, value-wise, in recent years have been wheat and flour, oilseeds and vegetable oils, dairy products, tobacco, canned goods, other cereals (including rice), tallow, and beans and peas. The United States has provided from 50 to 60 percent of these imports in recent years. A large portion of the U.S. sales of wheat, vegetable oil, tobacco, and tallow has been under P.L. 480 agreements.

Sugar—backbone of economy

The production of sugar is by far the most important factor not only in the agricultural sector but also in the overall economy of the Dominican Republic. Exports of sugar and

Information on this page and the next supplied by Robert M. McConnell, U.S. Agricultural Attaché, Santo Domingo.

its derivatives have in recent years accounted for well over half of the foreign exchange earnings of the country.

During the current year the Dominican Republic will produce about 900,000 short tons of raw sugar; the local industry predicts that the level may be as high as 950,000 short tons. This is a significant rise from the 734,000 short tons produced in 1968, but about equal to the 1959 level.

In the next several years the Dominican sugar industry plans to restore production to between 1.1 million and 1.2 million short tons—in 1960 production was 1,158,000 short tons. While some of this increased production will be utilized in the domestic market, the major portion will be available for export.

A large-scale mechanization program is being carried out within the Dominican sugar industry, especially that portion owned by the government and most of the new equipment is being purchased from the United States. Although some mills are being modernized, no new ones are under construction. In fact, it has been recommended that several small mills owned by the government be shut down.

Beef exports climb

During 1969 the Dominican Republic's beef production is expected to remain at the 1968 level of 30,000 metric tons—an output significantly above the average annual 1964-67 production of 25,000 metric tons. The sudden jump in production in 1968 was almost entirely attributed to the export stimulus provided as the Dominican Republic was certified as an acceptable source of beef for the U.S. market.

The Republic began to export beef in the latter half of the 1950's and by 1960 shipments were over 2,500 metric tons, most of which went to Puerto Rico. However, shipments declined during the next several years because of heavy export taxes on livestock products, and by 1964 beef exports had ceased. These levies were repealed in 1967 at about the same time the Dominican meat-inspection system was certified by the USDA. In 1968 an estimated 4,300 metric tons of beef were exported—almost 11 times greater than the 1967 level. At the present time, almost all of the beef exported is either fresh or frozen; there is little local processing. Nearly all of the exports are destined for the U.S. market, mainly Puerto Rico.

Several factors combined to allow the Dominican Republic to export such a sizable amount of beef in 1968. The drought of late 1967 and early 1968 forced livestock owners to sell animals because pastures were drying up. In addition, the state-owned sugar industry began mechanizing field operations, especially farm-to-factory haulage of cane, in late 1967. This freed a large number of draft animals for slaughter.

Can the Dominican Republic export a similar amount of beef during 1969 and continue to do so over the next 5 years? Several factors indicate that it can. There is a considerable amount of land in the country which is suitable only for cattle raising, including extensive holdings owned by the sugar industry. For a long time little or no money has been spent on improving this industry; calving rates are low, calf mortality generally high, nutrition poor, and good breeding and

management at a low level. All of these factors are slowly being changed, and as they change the amount of beef produced per unit area will be increased.

By 1974-75 beef production is forecast to increase about one-third above its present level, and beef exports during the next 5 years are expected to grow at least in line with any annual increase in allowed U.S. imports. If production increases significantly, the Dominican industry may be forced to either seek new markets for its beef or increase per capita consumption which is at a low level.

Fruits and vegetables

In 1968 the Dominican Republic exported over \$4 million worth of fruits and vegetables, up from \$2.8 million in 1967. Nearly all of these shipments were fresh fruit and the United States (including Puerto Rico) was the leading market. Of 1967 and 1968 exports, about 15 percent on a value basis, could be classed as complementary to U.S. agriculture. The leading supplementary products exported to the U.S. market are: pigeon peas; starchy roots, including sweetpotatoes; peppers; and cucumbers. In recent months there has been considerable growth in shipments of tomatoes, pineapples, and onions.

Several studies of the Dominican potential to produce winter fruits and vegetables have recommended that output of a number of products—black beans, cantaloups, cucumbers, onions, peppers, strawberries, and tomatoes—be increased or developed.

In practice it is doubtful that this optimistic prediction will materialize. The output of most fresh fruits and vegetables for export has not developed as rapidly as planners had thought. Some of this could be blamed on the unfavorable weather conditions during late 1967 and part of 1968. However, the basic cause of this slow rate of development has been the general lack of Dominican growers, government technicians, and businessmen trained in the production and

sales of these items. The resulting production and marketing problems have held back the rate of growth of the industry, and contributed to the high cost of production.

Wheat imports increase

Since it has no domestic wheat production the Dominican Republic must import all of its needs. Even though production trials are being conducted it is doubtful that significant commercial production will evolve in the next 5 years. In fact, imports are forecast to increase at a rate of at least 5 percent per year over the next 5 years and reach approximately 135,000 metric tons in 1974.

The country's only mill was opened in 1960. In that year 29,000 metric tons of wheat were imported, 45 percent from the United States, the remainder from Canada. Beginning in 1966 the United States became the sole supplier of wheat to the Dominican Republic. By 1967, imports had risen to 72,000 metric tons, a nearly 7-percent annual increase over the 1960 level; and in 1968, imports reached 108,000 metric tons.

This substantial growth in imports over the past 8 years has been caused by a combination of improved incomes and a definite shift in dietary habits from the traditional starchy domestic foodstuffs to breads and pastas. The large jump in imports in 1968 was a direct result of a drought which reduced domestic supplies of various locally produced starchy commodities. Presently, the Dominican Republic is receiving all of its wheat imports under P.L. 480.

To make a projection of what course future U.S. sales of agricultural products will take in the Dominican market is difficult. In view of the present economic situation it is likely that the country could continue to qualify for P.L. 480 sales during the next few years. At the same time, the Dominican Government is promoting programs of self-sufficiency in a number of basic items, especially vegetable oils, dairy products, beans, and peas, and food grains which may help to stabilize their balance of trade.

Bank Groups Extend Loans for Irrigation Projects

The World Bank recently approved a loan equivalent to \$34 million to the Philippines for the construction of irrigation facilities to serve about 190,000 acres of fertile land suitable for growing rice, while the Inter-American Bank has authorized four loans totaling \$33.9 million to help Mexico carry out irrigation projects in two of its Pacific Coast States.

The loan made to the Government of the Philippines will be for 25 years, including a 7-year grace period and will bear interest at the Bank's new lending rate of 7 percent per annum which became effective on August 1, 1969.

The loan will finance the foreign exchange costs of constructing a dam on the Pampanga River about 50 miles north of Manila; rehabilitation of irrigation systems serving 114,000 acres; construction of new irrigation systems to serve 77,000 acres; building of feeder roads; consultant fees; and a study of possible power development at the dam. The project is related to the government's program to achieve self-sufficiency in foodgrain requirements through the use of high-yielding varieties of seed together with fertilizer, water, and other inputs. Impressive results have already been achieved. In 1967-68 rice production increased by 11 percent compared with an annual average of 1.7 percent in the previous 6 years. When fully developed the project will supply sufficient water

to permit two rice crops a year. This development plus higher yields will enable the area served to increase production fourfold to an estimated 570,000 metric tons a year, thereby enabling the Philippines to save about \$36.5 million annually in foreign exchange on imports of foodgrains.

The Inter-American Bank loans made to Mexico will finance two projects being carried out in the States of Colima and Sinaloa at a total cost of \$67,550,000. The projects, involving irrigation of more than 210,000 acres of land, will benefit a farm population of about 52,000 persons. Two of the loans, totaling \$20,060,000, were extended from the Bank's "soft loan" window—the Fund for Special Operations—at an interest rate of 4 percent per annum. The other two, amounting to \$13,840,000, were authorized from the ordinary capital resources at an interest rate of 8 percent.

The loans include \$16 million earmarked for irrigation of 138,000 acres of farmland in the State of Sinaloa. The project involves the construction of a dam on the Mocorito River and other irrigation and drainage works designed to help farmers. Loans totaling \$17.9 million will be used for a project to irrigate 73,000 acres in the Armeria River Basin in the State of Colima. The project calls for the construction of the Las Piedras dam of the Tuxcacueso River.

Specialists Note Challenge Facing Cotton in Asia

Cotton is being challenged as the major fiber in many Asian countries where man-made fibers are beginning to get a foothold. Quick market development action is needed if cotton is to maintain and build on its current position in these growing markets. This was one of the important points brought out of seminars this spring conducted by a U.S. Cotton Textile Finishing Mission.

Cotton technologists and marketmen in Japan, Korea, Taiwan, Hong Kong, the Philippines, Thailand, and India attended the seminars. The Cotton Mission's programs were in cooperation with local textile manufacturers associations and were sponsored by Cotton Council International and the Foreign Agricultural Service.

Seminar emphasis was on explaining new developments in cotton textile finishing with a view towards stimulating interest in the use of cotton and helping cotton compete more effectively with manmade fibers.

Illustrated technical lectures were given by the Cotton Mission members. Nelson F. Getchell, a research scientist of the National Cotton Council of America, described progress in developing durable-press treatments for all-cotton textiles including latest techniques for improving the abrasion resistance and wear life of all-cotton durable-press fabrics, especially advances in the "wet-fix" process.

Norman R. S. Hollies, senior scientist of the Harris Research Laboratories, Gillette Research Institute, explained the relation between clothing comfort and the physical properties of finished cotton fabrics.

George L. Drake, Jr., a fabric finish specialist of USDA's Agricultural Research Service, discussed special treatments such as flame-retardant and soil-release finishes being developed for cotton.

Joseph H. Stevenson, FAS, U.S. Department of Agriculture, discussed the current U.S. cotton-marketing situation and outlook and U.S. market development programs for cotton.

An important feature of the seminars was a question-and-answer discussion period following the lectures. Attendees showed intense interest in advances in cotton finishing, and, through their comments and questions, provided considerable insight into current trends in cotton textile technology in the Far East.

Fiber battle beginning

Members of the Cotton Textile Finishing Mission concluded that cotton faces a critical period in the Far East. Cotton is still the dominant fiber in most countries, but manmade fibers are making rapid gains.

Textile industries in many Far East countries are at a fiber-use crossroads—about where the U.S. textile industry stood in 1964 at the beginning of the durable press era. Larger populations with increasing spending power are creating a rising demand for textiles, and increasing costs of traditional washing and ironing services are causing a growing preference for easy care textiles.

It would be much easier and less costly for cotton to hold onto its present position in Far East markets than to persuade industries to return to cotton once they have shifted production to manmade fibers or blends.

Fiber situation report

Except in Japan, manmade fibers have not invaded the cotton markets of the Far East to the extent that they have in the United States and Western Europe. But competition from manmade fibers is becoming more evident each year. For example, in the Republic of South Korea, availability of manmade fibers tripled from 1964 to 1968—a jump from 34 million pounds to 107 million pounds.

However, cotton still retained about 65 percent of the total fiber market in Korea in 1967, down from 80 percent in 1964. In comparison, only 51 percent of fibers consumed by mills in the United States in 1967 was cotton; and in 1968 cotton had only 42 percent of the U.S. market.

In Taiwan the situation and trends are similar. Availability of manmade fibers rose from 28 million pounds in 1964 to 46 million pounds in 1968. Yet cotton

still comprised between 75 and 80 percent of Taiwan's fiber market in 1968. In 1963 cotton held 83 percent.

In Thailand the availability of man-made fibers is still small—19 million pounds in 1968 compared to cotton consumption of 123 million pounds. But the competitive threat of manmade fibers looms large with expansion of the Thai textile industry getting underway. For example, a local polyester staple plant with a capacity of 24 million pounds a year probably will be completed by 1972.

The Philippines present a somewhat different picture. Imports of cotton were 72 million pounds in 1967 while man-made fiber imports were 47 million pounds for the same year. Between 1964 and 1967 manmade fiber imports increased 74 percent compared with only 14 percent for cotton. In the past fibers have been imported but small nylon and polyester plants are now being built in the country.

Japan is one of the world's leading markets for cotton. In 1968-69 it will use about 1.6 billion pounds, an increase in absolute terms, partly because of a successful cotton promoting program. But cotton's share of the total textile fiber market in Japan declined from 50 percent in 1962 to 41 percent in 1967 while man-made fibers were rising from 40 percent to 50 percent. Next to the United States, Japan is the largest producer of manmade fibers in the world.

In summary, it is clear that while cotton still has a relatively large share of most Asian markets, manmade fiber use is increasing more rapidly than that of cotton. It is important that cotton interests soon take positive action with specific promotion programs, technical development and service, and general education on the advantages of cotton use to slow down, and perhaps change, the trends that now favor manmades.

The U.S. Mission and Korean cotton specialists at a luncheon meeting hosted by the Spinners and Weavers Association of Korea.





American Quarter Horse Haymaker, Texas bred, was Grand Champion Stallion of 1966, 1967, and 1968 Guatemalan National Livestock Shows and the 1966 Central American Livestock Exposition.

Quarter Horse bought by National Development Bank deplanes in Honduras.



American Quarter Horse Association Joins FAS's Cooperator Stable

What at first glance seems to be a rather old-fashioned agricultural export—horses—is really one of the newest U.S. sales items. American Quarter Horses, for example, which belong to a breed that originated and developed in the United States, are in increasing demand by ranchers, sportsmen, and horse breeders and connoisseurs outside of the United States.

In 1968 total U.S. horse exports were 15,026 head—worth over \$4.5 million. It is not known exactly how many were Quarter Horses, but it is known that from January 1965 through December 1968 at least 3,161 registered Quarter Horses were transferred to owners outside the United States. Probably more sales were made that were not recorded.

Horse exports from the United States have jumped in recent years in numbers and particularly in value. American horses are now being used as foundation breeding stock in several countries. Availability of horses for export is excellent. For example, about 70,000 American Quarter Horse foals are produced each year.

The new agreement of cooperation between the American Quarter Horse Association (AQHA) and the Foreign Agricultural Service (FAS), signed June 3, 1969, is for the purpose of developing

and expanding the market for Quarter Horses. Target areas will be primarily Central and South America, but Australia, the United Kingdom, France, Germany, Italy, Japan, New Zealand, Portugal, and South Africa will also receive attention as prospective markets.

Matching AQHA and FAS funds will be used for encouraging the formation of Quarter Horse associations in countries to which horses have already been sold or which show interest in buying, for sending officials and representatives of the AQHA and exhibits to livestock and horse shows, for sending judges to foreign and international livestock shows, and for producing pamphlets, handbooks, and films in foreign languages—chiefly Spanish.

Quarter Horses are versatile animals, named for their sprinting ability in the short (quarter mile) horse races popular on the American frontier in the 1800's and the early 1900's. Quarter Horse racing is still a favored sport in the American Southwest. Because they are strong, fast, agile, and calm tempered, Quarter Horses are excellent for handling cattle, and many are specially trained as stock horses. The same qualities, plus sturdiness, longevity, and adaptability, make them prized as pleasure and general riding horses.

In the first cutting horse demonstration in Guatemala, Quarter Horse balances to outdodge a frisky calf and drive it to pen.



CROPS AND MARKETS SHORTS

Weekly Report on Rotterdam Grain Prices

Current prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago, are as follows:

Item	August 26	Change from previous week	A year ago
	Dol. per bu.	Cents per bu.	Dol. per bu.
Wheat:			
Canadian No. 2 Manitoba . . .	1.85	-4	2.02
USSR SKS-14	1.77	-4	1.99
Australian Prime Hard	1.80	0	(¹)
U.S. No. 2 Dark Northern Spring:			
14 percent	1.80	0	1.94
15 percent	1.85	-2	2.04
U.S. No. 2 Hard Winter:			
13.5 percent	1.80	+2	1.90
Argentine	(¹)	(¹)	(¹)
U.S. No. 2 Soft Red Winter .	1.62	+1	1.77
Feedgrains:			
U.S. No. 3 Yellow corn . . .	1.39	+2	1.21
Argentine Plate corn	1.72	+3	1.43
U.S. No. 2 sorghum	1.42	+3	1.20
Argentine-Granifero	1.47	+9	1.21
Soybeans:			
U.S. No. 2 Yellow soybeans . .	(¹)	(¹)	2.88

¹ Not quoted.

Note: All quoted c.i.f. Rotterdam for 30- to 60-day delivery. ~

Ontario Corn Crop Takes a Dip

Cool, wet weather has foiled another planned annual increase in Ontario grain corn production. First, acreage for 1969 made only a slight advance over 1968 because corn planting was delayed in many areas by poor field conditions. Next, corn yields are expected to be down because of late planting times and an abundance of moist, cold days that helped weeds flourish while making fields too soggy for farmers to negotiate them with spraying and cultivating equipment. Estimates combining acreage and probable yield figures indicate that Ontario's grain corn crop may be 11 percent less in 1969 than in 1968.

Avocado Development in Greece

During the past 6 months two American firms have started avocado nurseries in the area of Khania, Crete, with the seed and grafted plants imported from California. The Greek Ministry of Agriculture has cooperated fully in the initial steps of the nursery operation by making land available to the two firms.

Avocados were planted on the Islands of Rhodes and Crete and on the southern Peloponnesus when Rhodes was under the Italian Administration, but production never expanded. The avocado for all practical purposes was unknown to the majority of the Greeks, except to those who have lived or traveled abroad and to foreigners.

In 1966, an American of Greek descent planted 10,000

avocado seeds of U.S. origin in the southern part of the Peloponnesus. The area proved to be unsatisfactory because of frost damage in 1968; then it was determined that the most favorable area for avocado production was on Crete, near Khania.

The influence of the American community in Athens has gradually developed a demand for avocados, which are imported by airfreight from Israel. Imports amounted to 5,500 pounds in 1968 and 7,000 pounds the first 6 months of 1969. The import duty is 65 percent of the c.i.f. value. This plus the airfreight results in a retail price of about 80 cents per pound.

The Greek Government and the American firms hope to expand local demand for avocados and develop an export market in Western European countries.

Spanish Almond Crop Down

Spain's 1969 almond crop is estimated at 31,000 short tons (kernel basis), 31 percent below 1968's record crop. Heavy rains during pollination and late frost are responsible for the reduction.

Exports of 1968 crop almonds are estimated at 31,000 short tons, 31 percent above 1967's total of 23,700 tons and 27 percent over the 1962-66 average of 24,500 tons.

SPAIN'S ALMOND SUPPLY AND DISTRIBUTION

Item	September-August			
	1962-66	1966	1967	1968 ¹
	1,000 short tons	1,000 short tons	1,000 short tons	1,000 short tons
Beginning stocks (Sept. 1)	1.6	1.0	2.0	2.0
Production	31.4	41.0	30.0	45.0
Total supply	33.0	42.0	32.0	47.0
Exports	24.5	32.4	23.7	31.0
Domestic disappearance . . .	6.9	7.6	6.3	9.0
Ending stocks (Aug. 31) . .	1.6	2.0	2.0	7.0
Total distribution	33.0	42.0	32.0	47.0

¹ Preliminary.

German Tender for Canned Asparagus

West Germany has announced a tender allowing imports of canned asparagus spears from the United States, Argentina, Australia, Brazil, Israel, Japan, Canada, Mexico, Peru, Switzerland, Spain, Taiwan, and Uruguay. Applications for licenses are now being accepted and can be submitted until, but not later than, September 30, 1969. Licenses will only be issued to applicants who have received licenses under the previous tender (reported in *Foreign Agriculture* May 19, 1969), which is still open. Import licenses issued will be valid until February 28, 1970. The first day of customs clearance is October 1, 1969.

Correction: Issue of June 30, 1969, page 15, column 2, "Nigeria Increases Peanut Producer Price," line 3 should read, "... of N£29 18s. per long ton (3.74 U.S. cents per lb.)."



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British Increase Food Expenditures in 1969

Last month, Britain's Ministry of Agriculture released the results of the National Food Survey for the first quarter of 1969. Derived from a sample of 2,035 households throughout Great Britain, the survey revealed that in January-March 1969, the average British housewife spent 39 shillings 1 pence per person per week on food bought for home consumption (excluding sweets and soft drinks)—the equivalent of US\$4.69. This was 13 U.S. cents more than in the last quarter of 1968 and 26 U.S. cents more than in the corresponding quarter of 1968. As compared with a year earlier, expenditure was up by 5.8 percent, while average food prices rose 4.4 percent.

The Ministry attributed the rise in expenditures over the last quarter to an increase in prices, more than half of it due to seasonal foods. Much of the increase over last year, however, was the result of a 6-percent rise in the average purchases of carcass, which went up to 16.8 ounces per person per week. A year earlier, supplies were affected by the foot-and-mouth-disease epidemic. The main increase in carcass meat consumption in the first quarter of this year was a 0.5-ounce rise in fresh pork consumption; an increase of 0.2 ounces was recorded for beef and lamb. Average prices of these three meats were 3 to 5 percent higher than a year earlier. Nevertheless, there is a long-term decline in carcass meat consumption which since 1956 has dropped from 19 ounces to 17 ounces per week.

Purchases of poultry, on the other hand, continued to rise. In the first quarter of 1969 poultry consumption was 4.86 ounces per head per week as compared with 4.28 ounces in the fourth quarter of 1968, and 4.79 ounces in the first quarter of 1968. The Ministry notes that since 1956, poultry consumption per head per week has gone up from about one-half ounce to nearly 5 ounces at the present time, and that the average price of poultry per pound is only about half that of beef.

Elsewhere, there were few significant changes in food consumption in the first quarter of 1969. There was a 2-percent decline in sugar purchases as compared with a year earlier,

and a slight decline in bread consumption. In the dairy sector, cheese consumption was unchanged and the Ministry warns that the increase in butter consumption may be exaggerated.

—Based on dispatch from DAVID L. HUME
U.S. Agricultural Attaché, London

Canadian Wheat Extension

The Canadian Wheat Board is giving some relief to farmers faced with clogged country elevators through a limited extension of 1968-69 delivery quotas into the new crop year that started on August 1.

Farmers who were unable to deliver a full quota of 5 bushels per specified acre when the crop year ended at midnight July 31 will be permitted, on application, to deliver 1 more bushel per acre in the new year, provided the combined total does not exceed 5 bushels.

Regular quotas expire with the end of the crop year. Effect of the extension is to give some hard-pressed farmers another chance at a delivery—and cash—that would normally have been cut off after July 31.

According to a Canadian Wheat Board release announcing the extension, "The Board had previously indicated that it was hopeful that sufficient space would be created in country elevators to enable producers to complete delivery of a 5-bushel specified acreage quota by July 31, 1969. Notwithstanding the excellent cooperation received from the railways, elevator companies, and terminal operators, it has not been possible to fully reach this objective at some delivery points."

The release also pointed out that "Due to congestion which now exists and to enable the Board to move grades and types of grain to meet market demands, the Board may not be in a position to allow producers to deliver under this policy in the immediate future. However, as space is created and circumstances permit, the Board will issue the necessary authority to deliver." —Based on dispatch from EUGENE T. OLSON
U.S. Agricultural Attaché, Ottawa